

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE
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November 14, 2007

Cheryl A.W. Musgrave
Commissioner
Department of Local Government Finance
Indiana Government Center North
100 North Senate Avenue, N1058(B)
Indianapolis, Indiana 46204

The Honorable Sara Arnold
Spencer County Assessor
200 Main Street, Room 11
Rockport, Indiana 47635

Dear Ms. Arnold:

My staff and I reviewed the evidence you and your vendor presented to us at our informal meeting at the Department on October 2, 2007 and the public hearing at the Spencer County Courthouse on October 29, 2007. After much discussion and data analysis based upon the information you recently provided to us, the Department hereby relieves you of any further action for the application of the 2006-pay-2007 annual adjustment process. As a result, the Department will not be issuing a directive or order for Spencer County to reassess or re-trend any properties within Spencer County.

The following are the reasons for our decision to release Spencer County from any further action:

1. The Department's analysis of the county's initial sales-assessment ratio study indicated that improved commercial property assessments in Carter Township were outside the acceptable range of uniformity required 50 IAC 21.

You presented new evidence to the Department at the public hearing that sufficiently demonstrated that certain sales involving improved commercial parcels in Carter Township should not have been considered in the county's initial sales assessment ratio study. After further review, you determined that certain sales were not arms length transactions. As a result of the removal of these sales, the progressivity/regressivity differential (PRD) in Carter Township for improved commercial parcels changed from 0.9500 to 1.0069, which is within the acceptable range of assessment uniformity (.98 to 1.03).

2. The Department's review of the annual adjustment process under Indiana Code sections 6-1.1-4-4.5 and -31, and 50 IAC 21 initially indicated a sixty percent (60%) no change in commercial parcels county-wide from the March 1, 2005 assessment date (January 1, 1999 valuation date) to the March 1, 2006 assessment date (January 1, 2005 valuation date), and a sixty-five percent (65%) no change in assessments for industrial properties.

Also, 50 IAC 21-5-2(b)(2) states that if assessing officials determine there are "insufficient sales of commercial or industrial improved property in a township or county" the county is to use one or more of the following methods of valuation to derive annual adjustment factors or modify the values of commercial and industrial property; specifically, through use of Marshall and Swift cost and depreciation tables, income data, rental data, market value appraisals, and "other relevant evidence derived from appeals of the 2002 reassessment and adjusted, as applicable, to the January 1 of the year preceding the assessment date."

a. At the informal meeting, you provided a thorough analysis of the 2006 assessed valuations for Spencer County. In the "detailed analysis" section of your report, you listed seven points for the Department's consideration. The third point was called "distorted parcel count." You stated that the parcel count was "distorted and inflated" because of the manner in which parcels were classified. This resulted in "an exceedingly high number of vacant parcels." You provided an example of Peerless Pottery that occupies three city blocks and is comprised of thirty-two (32) industrial parcels; yet AK Steel's new plant, which sits on six hundred (600) acres, only constitutes one (1) parcel. Additionally, you asserted to the Department that you changed classification codes, and reviewed industrial parcels "at length during 2003 through 2006."

b. You also provided specific examples of industrial parcels that you reviewed and adjusted through the property tax appeal process and other reviews. For example, you provided a detailed summary in your report and more details at the public hearing that the Spencer County Property Tax Assessment Board of Appeals (PTABOA) lowered the 2005 assessed value of Peerless Pottery to \$3.55 million, which was a reduction from the March 1, 2005 assessment of \$6.16 million. You detailed how through the annual adjustment process, the 2006 assessed value was valued at \$2.1 million, but reduced to \$1.2 million through an agreement between the county and Peerless Pottery after the property sold for \$550,000.

c. Additionally, you further asserted in your report that you provided to us during our informal meeting that a "large number of parcels...were changed in 2003, 2004, and 2005." You stated that "along with new construction several additional commercial parcels were reviewed and changed for March 1, 2003 as part of a reassessment followup [sic] project."

d. On November 9, 2007, the Department's Operations Division completed a new analysis of the updated data that you provided to us at the public hearing. The results of this new study, which is shown in the attached "pivot table," indicates that the percent of no change for commercial properties from the March 1, 2005 assessment date to the March 1, 2006 assessment date now stands at 55.5% -- a reduction from 60% under the original study. Also, the new data

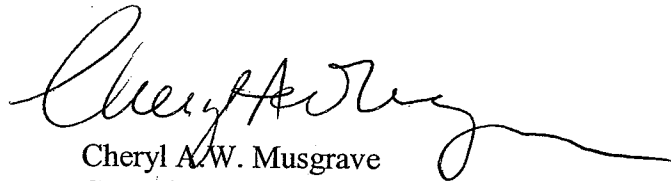
analysis shows a percent of no change for industrial properties from the March 1, 2005 assessment date to the March 1, 2006 assessment date is now 57.6%, which is a reduction from 65%.

e. There were forty-four (44) sales reported for improved commercial property county-wide out of a total of five hundred thirty-one (531) parcels. There were four (4) sales reported for improved industrial property county-wide out of a total of one hundred thirty-four (134) improved industrial parcels. However, in light of the information you provided us in your detailed report and at the formal hearing, the Department is satisfied that you used valuation methods other than just the sales comparison approach to determine the valuation of commercial and industrial properties in Spencer County.

In light of the abovementioned information, the Department has decided that directing or ordering a re-trending of industrial and/or commercial properties in Spencer County is unnecessary. You have sufficiently demonstrated to the Department that you have abided by the annual adjustment process and complied with Indiana Code section 6-1.1-4-4.5 and 50 IAC 21.

If you have any questions, please feel free to contact the Department's General Counsel, Timothy J. Rushenberg, at (317) 233-6770 or trushenberg@dlgf.in.gov, or the Assessment Division Director, J. Barry Wood, at (317) 232-3762 or bwood@dlgf.in.gov.

Sincerely,



Cheryl A.W. Musgrave
Commissioner